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ABSTRACT

Findings and recommendations are compiled from a conference on student aid policy. Issues addressed in this summary report include: the public commitment to student aid; funding for student aid; the student aid delivery system; and the governance of student aid. It is noted that financial support from public and private student aid programs has made higher education, traditionally one of the major mechanisms for achieving equality, possible for substantial numbers of individuals. It is recommended that there be a comprehensive attempt to achieve a coherent set of public purposes and policies for student aid programs. Three major questions are addressed: (1) What is the optimum rate of participation in postsecondary education? (2) How much financial support from resources external to the family will be required to induce and maintain that level of participation? and (3) What is the optimum mechanism for delivering that financial support? It is suggested that resolution of these issues will aid in the development of a consistent public policy regarding student aid, and in this way the benefits derived from the investment of public money in student aid will be improved and expanded. (SF)

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Aspen Institute for Humanistic Studies
Program in Education for a Changing Society

The Coming Crisis in Student Aid

William D. Van Dusen

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Aspen Institute for Humanistic Studies

THE COMING CRISIS IN STUDENT AID

Report of the 1978

Aspen Institute Conference

on Student Aid Policy

by

William D. Van Dusen

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FOREWORD

The Aspen Institute Program for Education in a Changing Society reviews and considers major issues of public policy concerning the movement of citizens into and through formal and informal educational programs. At the postsecondary level, one set of these issues is the provision of public support to those who would be unable to participate without student aid. Recognizing the opportunity provided by the need to pass new legislation in 1979 or 1980 reauthorizing the Federal student aid programs, the Aspen Institute received the support of the Ford Foundation for an invitational conference to identify the policy questions that must be addressed. This report describes the outcomes of that conference.

The Conference on Student Aid Policy continues the role of both the Institute and its education program to provide a neutral ground on which representatives of different interests and backgrounds can discuss problems of mutual concern. In the past, the education program has produced reports intended to serve as the basis for policy discussions and program developments by state and local governments, private institutions, the Congress and Federal agencies. The financing of students in postsecondary education is one area in which the development of a comprehensive and fully-articulated public policy is crucial to the achievement of many larger social goals. The Institute is pleased to be able to offer this contribution to the debate which must occur in the development of that policy.

Francis Keppel, Director
Program in Education for a Changing Society

ACKNOWLEDGEMENTS

The observations and recommendations included in this report derive from careful consideration and discussion by the individuals who participated in the Aspen Institute Conference on Student Aid Policy in the summer of 1978. The participants are named in the appendix. The contents of this report are the collective result of their efforts as translated by the author. In making this translation I relied heavily on the work and words of Kenneth Deitch, Humphrey Doermann, Martin Kramer and Arthur Marmaduke. I appreciate their interest and support. I also acknowledge the planning assistance from Arthur Marmaduke and James Nelson, without whose encouragement the conference might never have been held. And most importantly, the skilled direction that Francis Keppel gave to the discussions and deliberations of the conference enabled many of the conclusions to be reached.

William D. Van Dusen

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INTRODUCTION

Participation in postsecondary education has traditionally been one of the major mechanisms for achieving equality of opportunity and social mobility in the United States. Financial support from public and private student aid programs has made that participation a real possibility for substantial numbers of individuals whose personal and family resources have been inadequate to pay for it. Financial aid to students is the primary means by which the Federal Government supports postsecondary education.* The Congressional Budget Office estimates that, for Fiscal Year 1977, the Federal expenditure for aid to students in postsecondary education approached $8.5 billion. State, institutional and private student aid programs provide approximately $1.5 billion more.

Considering this level of annual expenditure, very little coordinated planning has gone into the development of public policy for student aid. Although most student aid programs have specified purposes, they do not present any comprehensive attempt to achieve a coherent set of public purposes. The modern entry of the Federal Government into the direct provision of student aid was a reaction to the Soviet Union's successes in launching space capsules; the current Federal initiative is, at least in part, an effort to forestall a

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*In the context of this report, postsecondary education generally refers to study in institutions offering undergraduate programs. It does not include graduate and professional school study, continuing or extension education, or informal learning opportunities provided by libraries, museums, the media, etc.

taxpayer rebellion. Increasing costs and declining potential audiences are causing states, institutions and private donors to undertake new, different and often "creative" student aid programs that frequently have goals in conflict with those of the Federal aid programs.

The legislation authorizing the current Federal student aid programs expires in the fall of 1979. A variety of public and private groups are now considering modifications to these programs that should be proposed during the "reauthorization" debates in the Congress. With the support of the Ford Foundation, the Aspen Institute Program for Education in a Changing Society called together a small group of individuals from different disciplines to examine the current state of student aid policy and to suggest issues that might be considered in the reauthorization debates.

The conference participants were not invited as official representatives of constituencies bringing formal positions to be negotiated. Rather, they were chosen as knowledgeable individuals committed to the continued existence of student aid programs administered in a responsible, yet flexible, manner to assure that society has an adequately trained citizenry and that the economic and social mobility of low-income people, members of racial-ethnic minority groups and women be continued.

The participants believe that the benefits derived from the investment of public money in student aid can only be improved and expanded if a consistent public policy regarding student aid is developed. In their opinion, achievement of this kind of policy requires resolution of three basic issues:

1. What is the optimum rate of participation in postsecondary education, both in total and for specific segments of the citizenry?

2. How much financial support from resources external to the family will be required to induce and maintain that level of participation?

3. What is the optimum mechanism for delivering that financial support while assuring adequate participation in the process by policymakers, institutional representatives, students and their families and other interested parties?

During the three-day conference, it became clear that the group was not constituted for the resolution of these questions. Debate and discussions of the conference participants produced a variety of additional questions subsidiary to these three paramount policy issues. These questions, together with some of the reasons why the participants thought it important that they be answered now, are presented in the report which follows.

The conference participants also came to a realization that stabilization of public policy and actions in respect to student aid requires that a body be constituted that can appropriately answer such questions. Private, voluntary associations like this conference can raise questions; somewhat more formal public bodies are required for their resolution. The conference participants differed on what bodies, existing or to-be-appointed, would be appropriate. The necessity for compromise in a report reflecting different points of view may hide what all the participants felt: An urgent need to find answers if public confidence in student aid is to be retained.

THE PUBLIC COMMITMENT TO STUDENT AID

The development of publicly-funded student aid in the United States is an example of the type of compromise common in our pluralistic, democratic society. Often competing and occasionally conflicting public and private goals have been modified and amalgamated into a series of student aid programs which fulfill, or attempt to fulfill, a variety of purposes. Most commonly, at the Federal level, these are expressed as commitments to access, choice and student persistence. At the state and institutional levels, goals of institutional survival and quality of education are frequently added. These purposes are pursued through an amazing variety of grant, loan and employment programs administered by individual institutions, state and Federal government agencies and private organizations.

Rube Goldberg might have been the architect for the current configuration of student aid programs. But it appears to work adequately for many, or even most. Substantially all student aid goes to those who have financial need. A majority of it goes to students in the lowest income groups (although the recently-approved Middle Income Assistance Act may substantially change the income distribution of aid recipients). Substantial numbers of low-income students exercise the choice, and find the financing, to attend higher-cost institutions. The net costs to similar students at similar institutions are reasonably the same. Students generally appear to be satisfied that they get what they pay for with their educational dollars, and few institutions have closed their doors for lack of students or lack of financing.

The current system still contains fundamental conflicts of purpose. The 1978 Congressional debates of tax credits versus "middle-income assistance" programs -- with their contradictory philosophies, strategies and goals -- demonstrate the programmatic conflicts which can occur in the absence of a unified public policy and approach to the financing of students in postsecondary education.

Another example of the potential for serious conflict in goals is the increasing use by institutions of their own resources to recruit the academically talented with "no-need" scholarships while at the same time they use public money to recruit the financially disadvantaged with need-based offers of assistance. There is the real possibility of loss of public confidence in a system that stimulates increases in public appropriations for need-based programs and, at the same time, permits increases in institutional and private programs supporting no-need awards.

As the potential for conflict among providers of student aid increases, and as postsecondary institutions adopt new kinds of programs to attract students, the issue of clarifying and consolidating the policy objectives of student aid becomes more urgent. Does the public good require a uniform national policy regarding the goals and commitments of publicly-funded student aid or can the present system of quasi-independent goal-setting continue?

The government is ill-equipped to deal directly with many of the problems preventing equal participation in society by low-income, disadvantaged or minority persons. But the government can do something about equalizing opportunity to participate in postsecondary education. Need-based student aid programs deal with a kind of deficit which has a dollar measure and a dollar remedy. The public can substitute its

financial resources for inadequate family financial resources. To use student aid programs to overcome other inadequacies of student background and preparation requires assumptions that are difficult to demonstrate and support.

This is not to suggest that some students will not need non-financial support in order to realize true equality of opportunity, but rather to suggest that student aid programs as they are presently constituted may not be the best way to provide those kinds of support. The use of student aid programs to support institutions should be considered. There are a variety of ways in which the public can, and does, support postsecondary institutions. If student aid is to be one of those ways it should be clearly stated and understood that this is to be a goal of the aid program. It is important that the public debate focus on the question of whether the goals of student aid should be limited to the solution (or at least the equalization) of students' financial problems, or whether it should attempt to deal with other social, institutional or educational problems.

In addition to considering goals, it is necessary to consider for whom these goals will be accomplished. Much of the current student aid policy and delivery systems were developed in response to the problems of an 18-year-old student who is leaving secondary school and immediately entering college on a full-time basis with, to the extent of some reasonable measure of ability to pay, the financial support of his or her parents. Recent social, educational and demographic changes suggest that the future consumer of postsecondary education is increasingly likely to be over 25 years of age, enrolled part-time, and financially independent of any support other than from personal or spousal resources.

There are important policy issues in the definition of such terms as "reasonable measure of ability to pay" and "financially independent." They will be discussed in the next section of this report. But independent of those definitional issues, public policy-makers need to resolve the questions of what populations student aid is intended to support and what populations it actually supports, whether there are other populations needing and deserving of public support and whether all of those populations can be reached through currently available types of aid programs. Programs such as vouchers or tax credits, which appear inconsistent with the present system of student aid, might seem more reasonable if the needs of different potential participants were to be addressed through aid.

Public policy also needs to describe clearly the ways in which the public funds will be committed. Grants, loans and jobs, individually or in different combinations, are today the generally available mechanisms for implementing public policy through student aid. Evidence needs to be accumulated and reviewed to determine whether different kinds of programs and combinations of programs are needed to achieve different purposes -- and whether various groups require different programs or combinations of programs? Are low-interest loans more or less effective than jobs in encouraging students to remain enrolled? How much grant assistance is needed to encourage the enrollment of an 18-year-old from a poverty-level home? Will the same amount induce an out-of-school adult to enroll? The current configuration of student aid programs is based on conventional wisdom about the effectiveness of programs. That conventional wisdom needs to be documented as public policy concerning student aid is deliberated and defined.

Within the diversity of institutions, diversity of potential students and diversity of financial resources, it appears that the achievable goals are relative rather than absolute. Participation in postsecondary education results from a complex interaction of the characteristics and preferences of students and their families. Consequently, the opportunities for access and choice will probably never appear equal to, and for, all. Persistence and retention probably will vary regardless of the equalization of financial resources. There is a considerable investment in the form of income, intellectual and time commitment, and actual cash outlay (beyond amounts received in aid) required of the student-participant in postsecondary education which, even in the face of substantial financial assistance, serves to limit participation.

The conference participants believe that however the public policy debate about goals, audiences and mechanisms is resolved, predictability is one necessary component of the public commitment to student aid. Unless people can rely on the availability of public support and have a reasonable assurance before entering the process of what aid they can receive, other elements of the public commitment will be vitiated.

funding of student aid will have to continue to be made on the basis of the traditional financial-need equation: The cost of education minus the contribution of the student and family equals support needed from financial aid programs.

That simple equation, however, contains a number of definitions that have explicit or implicit policy implications. Most of these have not been directly and fully addressed in the development of public policy for student aid. The "reauthorization" legislation debates may be the appropriate time for this to be done.

Public institutions subsidize some portion of the actual costs of delivering postsecondary education through tuition levels (and perhaps subsidy of other expenses) which are artificially lowered below true cost. Private not-for-profit institutions typically make charges to students which are intended to cover the great bulk of the costs of providing their education. For-profit institutions try to cover all costs plus provide some financial return to their owners.

By manipulating tuition and fee charges, institutions can shift some of the burdens of financing themselves to one party or another. In the absence of student aid, changes in institutional charges can only shift the burden to the consumer. But with student aid, changes in institutional pricing policies can potentially be passed on to the donor of the aid. Some aid programs are "tuition-sensitive" while others are not, and by adjusting tuition and fee charges, institutions (or state and local governments) can develop pricing strategies which maximize the return that they, through their students, receive from aid programs. Unless counter-incentives are included in public policy, this can produce a distribution of aid among institutions and students which is contrary to the original intent of public policy.

FUNDING THE COMMITMENT

Clear statements of the purposes of student aid programs and the groups to which they are directed will establish the general parameters for the level of funding needed to deliver fully on the commitment made to present and potential students.* But public policymakers will still have a number of finance-related questions which must be answered in the development of a fully coherent public policy for student aid.

The benefits of a postsecondary education have both personal and social components. Among the personal benefits is the increased earnings that the student will receive over his or her lifetime by virtue of training beyond the high school level. The social component reflects the increased value of the individual's participation in society beyond the rewards he or she personally receives.

One question that might be addressed in the public policy debate about student aid is how the public contribution toward the costs of a postsecondary education should be measured against the public benefit that will be produced by that education? Until economists and social theorists are able to separate the public and the private benefits, let alone agree completely on what their combined monetary values might be, decisions about the levels of

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*The conference participants considered the amount of money which would be needed to fully-fund the needs of present and potential participants in postsecondary education. The available data, however, were not adequate to permit estimates that could be described or defended with confidence.

The costs of participation in postsecondary education are not, however, completely under the control of the institutional providers. Students and their families can, and do, make a number of decisions which influence their expenses in direct ways. Where a student lives, with whom he or she lives, and the standard of living that characterizes those living arrangements are "cost-sensitive" decisions which the student or family can make. Some of these decisions may be "allowable" for purposes of determining financial need; others may not be allowed.

The issue of allowable costs may become a crucial one if public policy for student aid is to induce higher levels of enrollment from groups currently not fully represented. Individuals who are seeking postsecondary education on their own initiative may be willing to exist on lower standards of living than might those whose enrollment is to be induced through the availability of public support. The public debate should consider what kinds and amounts of student expenses should be allowed in the determination of financial need and what levels of expenditure for those items should be considered appropriate. Failure to do so will leave the system potentially open to manipulation by some students or some institutions, to the disadvantage of others.

A second set of policy issues surrounds the question of what is the reasonable amount that a person and his or her family should be expected to contribute toward postsecondary expenses. Consideration of these issues involves determination, first, of who should be expected to contribute; second, how much should they be expected to contribute; and finally, what to do in the absence of expected contributions.

The current student aid system is based on the expectation that parents will provide support for postsecondary education as long

as the student is "dependent." Financial aid can be viewed as a means of reducing inequities in the inter-generational transfer of wealth: Financially-able parents provide for the postsecondary education of their own children while society provides that same support to the children of parents who are financially unable to provide adequate amounts. Financial aid helps to equalize the educational advantages that the wealth of one generation provides to the youth of another.

The way in which "dependent" is defined, however, greatly influences the extent to which student aid intervenes in this inter-generational transfer. When the Federal Government made its modern entry into the student aid realm, in 1958, the prevailing assumption was that all undergraduate students normally would be dependent on their parents. Exceptions to that assumption were usually self-evident: The 28-year-old married veteran returning from active duty and entering the institution as a freshman or the rare retiree who had decided to get the education that he (typically) had always wanted was obviously different from the 18 to 22-year-old and could be afforded different treatment on a case-by-case basis.

Today, the distinctions between who is -- or who should be -- dependent or independent are not as clear. Many program administrators are concerned about "instant emancipation" of the children of higher-income parents seeking public support for the education of their children. Other parents with the ability to provide support are simply unwilling to provide it -- producing de facto independence of their children. Finally, some parents are unable to provide any support -- producing an independence of necessity.

In which cases will parents be expected to contribute toward the postsecondary expenses of their children and in which cases will the student be considered independent of such support? What financial support from public sources will be provided to those whose parental resources are not considered in the determination of financial need? Accomplishment of some possible policy objectives might require that a 45-year-old independent student and an 18-year-old dependent of a family on welfare be treated in precisely the same way; accomplishment of others might require that they be treated quite differently.

Most current decisions about how much persons and their families are expected to pay toward postsecondary costs are made according to the "uniform methodology" developed by the National Task Force on Student Aid Problems or by the "family contribution schedule" of the Federal Basic Grant Program. The former reflects the judgment of professional aid and aid program administrators, supported by the small group of economists who have developed specialized interests in this field of inquiry. The latter reflects political judgments and the need to balance award levels with appropriations.*

There is a growing body of fact and opinion which indicates that, while these schedules may appear reasonable to the "insiders," students and parents do not behave as they are expected to. A variety of reasons can be cited for a reduction in the willingness of families

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*Changes that have occurred in the Basic Grant family contribution schedule since the time of the Aspen Institute Conference will result in substantially different results for need analyses conducted by the two systems. This produces another possibility for manipulation of the system by institutions seeking to use student aid as a device to attract students and raises a major policy issue on which the participants, of course, were unable to comment.

to contribute toward postsecondary education -- but regardless of the reasons, expectations are increasingly not being met by families. The potential consequences of these differences between expectations and contributions are major. A difference of $100, on the average, between expected and actual contributions across the entire population of aided undergraduate students increases their financial need by about half-a-billion dollars. It would create financial need for some students whose expected family contributions places them just "over the margin" of need. Consideration must be given to what role family willingness to contribute should have in determining the amounts systematically expected from them. The current system assumes that willingness has little effect on expectations. It would, however, be possible to construct a system based on a closer measure of the actual contribution levels.

Another principle upon which the current student aid system is based is that students should make a contribution toward their own educational expenses through some form of "self-help." Although practices are not uniform from institution to institution, students who have assets from prior activities typically are expected to devote a substantial portion of their assets toward expenses during their course of study. Frequently, there is a standard expectation from employment during the summer preceding the beginning of the academic year. In most instances, self-help in the form of loan or work is a part of the student aid package offered by institutions.

Little research has been done to evaluate the impact of self-help on student performance. Even less has been done to determine the impact of self-help expectation on attempts to induce enrollment. Billions of dollars have been loaned to students with little factual information about the effects of the debt burden. Logic would suggest

that at least some portion of the current problem with default on loan obligations has to do with too much borrowing in the first place.

Conversely, substantial increases in the amount of grant assistance available through Federal and state programs has led to a situation in which some students are de facto excused from any self-help expectation: Aid offers can provide grant assistance equal to their total educational budgets. The "free ride" which previously had been reserved for a limited number of specially-talented students is now, particularly at the lower-cost public and private institutions, being extended to substantial numbers of students. Some educators and aid program administrators are concerned that the lack of personal investment in education will alter perceived values. Dropout rates among students with substantial grant assistance appear to be higher than among other groups. If the general public were to become concerned that a relationship exists between "free rides" and non-performance by aided students, a major crisis in confidence could disrupt the entire aid system.

The National Task Force on Student Aid Problems developed and promulgated an "equity model" which provided a conceptual framework for student aid packaging. But in practice, most packages are developed on the basis of available funding and judgments of the individual and administrator. It might be more appropriate for public policy to establish some standard expectations for self-help which could provide a basis upon which individual student aid packages might be developed.

The point needs to be made explicit that these matters relating to the determination of students' financial need be subject

both to public debate and also to public scrutiny. Student aid and the processes by which it is awarded must be in the public domain rather than the result of private decisions by a limited group of insiders.

With explicit public policy statements about how financial need is calculated, it will be possible to develop more accurate and comprehensive measures of the amounts of financial need that really exist. While the competition for funds in a number of areas may produce appropriations for student aid lower than the aggregate financial need so measured, there will at least be benchmarks against which the inadequacy of aid funding can be measured. The public will be able to gauge adequately the "affordability" of postsecondary education and the extent to which choices are provided between expensive and inexpensive postsecondary institutions. The extent to which student aid meets other policy goals which may be established can also be considered. Clearly-stated goals and well-understood costs of achieving those goals will improve the "understandability" of student aid.

OPERATING THE SYSTEM

The current system for delivering student aid involves Federal and state agencies, private organizations and contractors, and the postsecondary institutions. While all have important roles, it is at the institutional level that all of the policy decisions come together in the actual delivery of specific aid to individual students. In the absence of a complete reorganization of the system, which seems unlikely, the institutions will continue to be important representatives of the public in the student aid process. Their appropriate role should be carefully considered and made explicit in the policy debates considering the reauthorization of the Federal aid programs.

A first area of consideration relates to the participation of any institution in the determination of which students shall be aided and the amount of aid they shall be offered. The current program configuration mixes "entitlement" aid, which can be carried with students as they shop among institutions, with "campus-based" aid, which is distributed to students only after they have made at least preliminary decisions about which institution to attend. Arguments for the "entitlement" funds generally focus on assuring equity and providing some measure of consumer leverage on institutions. The "campus-based" programs are intended to assure more ability to meet special student needs in a flexible and sensitive way. Not enough attention, however, has been directed to conscious decisions about the mix of the two kinds of programs. A comprehensive public policy should include determinations of how the available student aid should be divided between externally administered and campus-based award programs to assure responsible levels of equity and sensitivity to individual needs.

Regardless of the institutions' role in the actual award of aid, they will participate in the process at least as the providers of education for which aid, at least partially, pays. An increasing involvement of "for-profit" institutions in the student aid process and a rise in the use of aid as a recruiting device by both for-profit and not-for-profit institutions makes it increasingly important that aid providers develop a workable and appropriate method for overseeing the approval of institutions at which students may use publicly-funded financial aid.

This review and approval process should not be limited to educational standards. It should consider the appropriateness of institutional administrative processes and arrangements as they relate to student aid. Such matters as the number and training of program administrators on the campuses, the availability of consumer-oriented information and its dissemination, refund policies, etc., should be addressed in determining institutional eligibility to participate in the student aid process. This will require development of criteria and standards by which the financial aid administration at institutions can be judged. And as with any standard-setting there will need to be policy statements concerning enforcement. In the enforcement activity care will need to be exercised to assure that students are not penalized for institutional inadequacies. Termination of institutional eligibility to participate in loan programs because of high levels of default by previous students, for example, would deprive current students of necessary support.

The participation of institutions, at whatever level, in the student aid delivery process will involve them in expenditures related to administration. Even if all aid were externally awarded, the

institutions would still have to certify student status, report on progress, and handle other kinds of administrative problems. Greater participation in eligibility and award amount determinations will produce greater costs for institutions. At high-tuition institutions an argument could be made that these costs of administration are really costs of doing business and should be absorbed by the institutions as necessary in producing student aid contributions toward operating expenses. At low-tuition institutions, where little or none of the student aid received by students is returned to the institution, it is difficult to substantiate arguments for voluntary participation in cost-sharing.*

Further, as the aid providers establish standards for administrative behavior in respect of student aid delivery they impose costs on institutions. Equity suggests that some or all of these costs be reimbursed. Comprehensive public policy should not only specify the quality and quantity of institutional involvement in the student aid delivery process but should also consider the amount to which the public will reimburse the institutions for the costs of this involvement.

One of the major inadequacies of the current student aid system and delivery mechanisms is the lack of evaluation capability. It is exceedingly difficult to obtain information about the characteristics of persons participating in the process. It is impossible to gain information about the impacts of student aid on student behavior. Policymakers do not know what students who have

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*Where public funding of institutions is enrollment-driven, however, the availability of financial aid may induce additional enrollments and in fact generate income to the institution.

received substantial support for college expenses have indeed accomplished. Have aid recipients been more productive in their employment, raised their children more expertly, been better citizens, as compared with their peer group who did not go to college or did not do so at public expense?

A portion of the responsibility for lack of evaluative capability in the current system comes from incomplete statements of the goals of the programs, making it difficult to frame questions which would demonstrate progress or lack of progress toward achieving such goals. Another portion derives from the inherent difficulty in measuring some of the outcomes which would signify achievement of policy objectives. But a significant portion comes from failure to establish a priority for research -- even of the head-counting variety -- and evaluation -- even of the "how many graduated" variety -- as part of the student aid delivery system.

There are very few, if any, industries making expenditures at a level comparable with those of the student aid system which provide themselves so little information about their market or product. At a minimum, student aid program administrators should provide for regular monitoring of the kinds of persons (background, gender, racial/ethnic group, family income, geographical origin, ability, etc.) who go to various kinds of postsecondary institutions and how these flows are affected by the availability or lack of different kinds of student aid. Proper stewardship of public funds seems to require, at a minimum, that the student aid system have this kind of evaluative capability.

THE GOVERNANCE OF STUDENT AID

There are four "providers" of student aid: The Federal Government, the state governments, the postsecondary institutions, and private agencies and organizations. Assuming that the present system remains generally intact, some mechanism will need to be developed to assure that the independent or uncontrolled behavior of one or another of the providers does not interfere with or vitiate the policy goals of another.

Achievement of equality of choice, for example, is largely a function of controlling or eliminating the differences in the amounts of tuition charged to students. In public institutions, the state governments influence the tuition levels directly; in the private institutions, tuition levels are a function of decisions balancing expenses with judgments about what the market will bear. How then can the Federal Government implement a policy of equalization of choice without some mechanism to assure "price-restraint" in the state and institutional tuition decisions? How can the Federal and state providers of student aid assure that private institutional decisions intended to maximize revenue from student aid not interfere with public goals?

Cooperation and coordination are required in the implementation of the whole variety of possible policy goals. How can an institution, for example, financially reward students for outstanding academic achievement in the face of a public policy predicated on strict adherence to need-based awards? Or how can a state promote earlier planning and decision-making on the part of

potential students in the face of a Federal calendar which makes it impossible to allocate financial aid until late in the year?

Finding ways to improve cooperation, coordination, management, governance -- whatever phrase appears to be most appropriate at the time -- has become increasingly a policy concern in the past decade. In an almost classical example of "he who pays the piper calls the tune," the growing role of the Federal and state governments in the provision of student aid funds has led to an increase in government influence in areas which previously had been left for private decisions by institutions and associations of institutions.

And two additional groups are seeking what they consider to be appropriate roles in the establishment of public policy concerning student aid: The students and the administrators who act as intermediaries between donor and recipient.

The students' interest is understandable. As the main party at interest in the financial aid process, students want to participate in decisions about policies governing that process. So too is the interest of the professinal aid administrator understandable: He or she is ultimately responsible for implementing the public policies on the campus. As the party most directly and most frequently in communication with the individual student, the aid administrator is the one most sensitive to the need for "flexible equity" in the establishment and implementation of policies.

When Federal student aid was first made available, there was minimal legislative or Executive Branch direction to the institutions about the details of administration. As the size and complexity of programs have increased, however, the freedom and autonomy granted to the individual institution and its aid administrator

has been reduced. A variety of problems and legislative concerns have been reflected in this continuing reduction in the level of authority granted to the institutions and the concomitant increase in that held by the Federal and state bureaucracies. Recent developments have seen yet a further shift, with the legislative bodies themselves taking on functions and responsibilities previously left to program administrators. An important question of public policy is: Which matters of student aid should be the subject of legislative mandate, which of administrative regulation, and which of participatory decision-making?

Assuming that participatory decision-making remains a characteristic of at least some of the governance activities of student aid, the issue arises of the appropriate mechanism by which participation can be invoked. The National Task Force on Student Aid Problems ennunciated a conceptual framework for the governance of the student aid process: A "partnership" of Federal and state agencies, institutions, students, parents and private agencies, working in concert to implement public policy concerning aid. But the Task Force completed its activities before translating that conceptual framework into an operational activity.

Acting on a recommendation of the National Task Force, the American Council on Education and the Education Commission of the States established the Coalition for the Coordination of Student Financial Aid to carry on the process of voluntary association for the governance of student aid. Since 1975, the Coalition has attempted to bring together the interests of all the parties to the process. But as a self-appointed, self-perpetuating agency with no more official

voice than it can demand for itself, the Coalition has been less than successful in remaining an equal partner with the Federal Government in a number of major policy decisions.

Similar problems exist at the state level in various parts of the country. State efforts have expanded to a point where there is at least a financial partnership with the Federal Government. But institutions, aid administrators and students direct to the state governments complaints similar to those which they direct (joined, in this case by some state agencies) to the Federal Government.

In the process of expanding resources and opportunities, we have created a very complicated system to achieve a relatively simple task: Providing support to students in postsecondary education who would otherwise be unable to attend. A basic policy issue that must be addressed is whether the number of parties to the student aid process and the diversity of their interests has vitiated the voluntary partnership concept of governance ennunciated by the National Task Force. If that issue is resolved in the affirmative, what are the alternatives?

The most equitable governance structure would be one that develops a careful balancing of the needs of the donors (i.e., the Federal and state governments) for overall equity in the award of aid and proper stewardship in its distribution with the interests and aspirations of the students, financial aid administrators and institutions in providing for flexibility and individualization of the process. In order for this to happen, the Federal and state governments would need to offer up a share of their sole decision-making authority to some more broadly-based agency or board. That body could have responsibility for establishing operating policies, setting ethical

and performance standards, and providing a forum for the exchange of ideas and the discussion of issues. Two mechanisms for establishing such a body at the Federal level have been suggested:

> 1. An independent government agency with a representative governing board. With Congressionally-delegated power, such an agency could be modeled after various state student aid commissions. It could have a representative governing board insulated from traditional Congressional and bureaucratic controls.
>
> 2. A Congressionally-chartered public corporation with an independent governing board. This model would increase the separation of the governance of student aid from legislative and bureaucratic dominance.

Neither alternative received unmixed enthusiasm from all of the participants in the Aspen conference. Perhaps the single most significant policy issue in the entire student aid process is how best to develop a cooperative deliberative and decision-making body which adequately represents the legitimate interests of all parties.

Some legislators and program administrators believe that problems of student aid have reached a point at which the entire system may come to a halt. The participants in the Aspen Institute Conference on Student Aid Policy believe that there is some exaggeration of the current level of concern about student aid administration. Postsecondary educational institutions in general participate in the student aid process from a position of strength in their stewardship of public monies. But solution of the governance issue will be critical to the continuation of this position.

The reauthorization of Federal legislation for student aid, and the resultant changes that may occur in state and private programs in reaction to the Federal actions, will make the next few years critical to the course of student aid in the United States. In the

past two decades, an entire body of knowledge and a cadre of professional administrators has grown up around student aid policy, practices and administration. The discussions that occur during the reauthorization debate must include those professionals and that body of knowledge. At the same time, however, care must be exercised to assure that the rationale and process by which student aid eligibility and financial need are determined are sufficiently open to public scrutiny and professional peer review.

The current governance of student aid represents a combination of wisdom, fortuitous history and politics. The task of the third decade of student aid is to harness those three elements and bring them together into a new structure that will capitalize on the growth which has occurred and to achieve the social policy that will be expressed in the reauthorized legislation.

SUMMARY

With the support of the Ford Foundation, the Aspen Institute for Humanistic Studies Program for Education in a Changing Society convened a small conference in the summer of 1978 to consider some of the policy issues which might be addressed as Federal and state governments review, modify and expand publicly-funded student aid programs. This summary outlines the major questions identified by the participants.

In reviewing these questions, it should be remembered that the participants in the conference were not invited as official representatives of organizations with specified constituencies. Rather, they were knowledgeable individuals committed to the continued existence of student aid programs administered in a responsible, yet flexible, manner to assure that society has an adequately trained citizenry and that the economic and social mobility of low-income people, members of racial/ethnic minority groups, and women be continued.

The Goals and Commitments of Student Aid

1. Does the public good require a uniform national policy regarding the goals and commitments of publicly-funded student aid or can the present system of quasi-independent goal setting continue?

2. Should the goals of student aid be limited to the solution (or at least the equalization) of students' financial problems, or should they attempt to deal with other social, institutional, or educational problems and issues?

3. What populations is student aid intended to support and what populations does it actually support? Are there other populations needing and deserving of public support? Can all populations be reached through currently available aid programs?

4. Are different kinds of programs and different combinations of programs needed to achieve different purposes? Do various groups require different programs or combinations of programs?

The Funding of Student Aid

5. How can the public contribution toward the costs of a postsecondary education be measured against the public benefit that will be produced by that education?

6. What kinds and amounts of student expenses should be allowed in the determination of financial need? What levels of expenditure for those items should be considered appropriate?

7. In which cases will parents be expected to contribute toward the postsecondary expenses of their children and in which cases will the student be considered independent of such support? What financial support from public sources will be provided to those whose parental resources are not considered in the determination of financial need?

8. What role should family willingness to contribute have in determining the amounts systematically expected from them?

9. Should there be some standard self-help expectations made of students which would provide a basis upon which student aid packages might be developed?

The Operation of the Student Aid System

10. How should the available student aid funds be divided between externally-administered and campus-based award programs?

11. How can a workable, and appropriate, method be developed for overseeing the approval of institutions at which students may use publicly-funded student aid?

12. What standards should be established for the quality and quantity of institutional involvement in the student aid delivery process? What amounts of public reimbursement should be provided to institutions to recognize the costs of their involvement?

13. How can there be a regular monitoring of the kinds of students (in terms of their personal, academic, and financial characteristics) who go to different kinds of postsecondary institutions and how those flows are affected by the availability or lack of different kinds of student aid?

The Governance of Student Aid

14. Which matters of student aid should be the subject of legislative mandate, which of administrative regulation, and which of participatory decision-making?

15. Does the number of parties to the student aid process and the diversity of their interests vitiate the voluntary partnership concept of governance ennunciated by the National Task Force on Student Aid Problems?

16. How can a cooperative deliberative and decision-making body be developed which adequately represents the legitimate interests of all the parties to the student aid process?

17. How can the rationale and processes by which student aid eligibility and financial need are determined be made open to public scrutiny and professional peer review?

And, Ultimately

18. What is the optimum rate of participation in postsecondary education, both in total and for specific segments of the citizenry?

19. How much financial support from resources external to the family will be required to induce and maintain that level of participation?

20. What is the optimum mechanism for delivering that financial support while assuring adequate participation in the process by public decision-makers, institutional representatives, students and their families, and other interested parties?

APPENDIX

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Aspen Institute for Humanistic Studies
Program in Education for A Changing Society

Conference on Student Aid Policy
July 24 - 27, 1978

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Other monographs and books by the Aspen Institute's Program in Education for a Changing Society. These are available from Publications Office, Aspen Institute for Humanistic Studies, Wye, P.O. Box 150, Queenstown, Maryland 21658.

Occasional Papers

A Developmental Psychologist Looks at Educational Policy: Or The Hurrier I Go The Behinder I Get
by Helen L. Bee, Developmental Psychologist
36 pages - $3.00

Educational Indicators and Educational Policy
by Thomas C. Thomas and Meridith A. Larson, Stanford Research Institute
32 pages - $3.00

Educational Policy in the Next Decade
by Francis Keppel, Aspen Institute for Humanistic Studies
11 pages - $3.00

Governance of Elementary and Secondary Education
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Healthy, Wealthy, and Wise: Backdoor Approaches to Education
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32 pages - $3.00

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by Lawrence C. Pierce, University of Oregon
22 pages - $3.00

Students, Schools, and Educational Policy: A Sociological View
by Sarane Spence Boocock, The Russell Sage Foundation
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The Not-So-Steady State of Governance in Higher Education
by Donald M. Stewart, University of Pennsylvania
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